



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MARTIN COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1999

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

MARTIN COUNTY LON E. LAFFERTY, COUNTY JUDGE/EXECUTIVE FISCAL COURT AUDIT FISCAL YEAR ENDED JUNE 30, 1999

The Martin County Fiscal Court had a new administration for fiscal year end June 30, 1999. This audit covers the last six months of the prior administration and first six months of the current administration.

Audit Findings:

The following comments are included in the audit report:

- The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The Economic Development Board Should Maintain Adequate Records
- The County Has A Lack Of Adequate Segregation of Accounting Duties

Lease:

The county has a lease with the Department of Transportation, which was in default at June 30, 1999. However, the county subsequently appears to be in compliance with the terms of the lease. Given that this issue has been resolved, we have treated this item as a note disclosure only.

Financial Condition:

The fiscal court's unreserved fund balances totaled \$183,663 as of June 30, 1999.

The Public Properties Corporation long-term debt totaled \$3,697,921, and its cash assets were \$1,732,842. Future tax collections of \$1,965,071 are needed to pay these liabilities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
MARTIN COUNTY OFFICIALS.....	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
NOTES TO FINANCIAL STATEMENTS	12
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE.....	19
SCHEDULE OF OPERATING REVENUE	22
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	31
SCHEDULE OF UNBUDGETED EXPENDITURES.....	45
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	49
COMMENTS AND RECOMMENDATIONS.....	53
APPENDIX A	
CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Lon E. Lafferty, Martin County Judge/Executive

Honorable Kelly E. Callahan, Former Martin County Judge/Executive

Members of the Martin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Martin County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Martin County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Martin County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Martin County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Lon E. Lafferty, Martin County Judge/Executive

Honorable Kelly E. Callahan, Former Martin County Judge/Executive

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Our audit was performed for the purpose of forming an opinion on the financial statements of Martin County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The Economic Development Board Should Maintain Adequate Records
- The County Has A Lack Of Adequate Segregation Of Accounting Duties

In accordance with Government Auditing Standards, we have also issued our report dated July 6, 2000 on our consideration of Martin County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -

July 6, 2000

MARTIN COUNTY OFFICIALS

Fiscal Year Ended June 30, 1999

Lon E. Lafferty	County Judge/Executive
Drewie Muncy	County Attorney
Carol Sue Mills	County Clerk
Carolyn Horn	Circuit Court Clerk
Darrell Young	Sheriff
Tommy Muncy	Jailer
Tim Robinson	Property Valuation Administrator
Franklin Fletcher	County Treasurer
Quentin M. Crum	Coroner
Dave West	Magistrate
Darrell Mills	Magistrate
John Harmon	Magistrate
James Jarrett	Magistrate
Garland Muncy	Magistrate

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MARTIN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets and Other Resources

Assets

General Fund:

Cash	\$ 141
------	--------

Road and Bridge Fund:

Cash	79,071
------	--------

Jail Fund:

Cash	1,285
------	-------

Local Government Economic Assistance Fund:

Cash	103,166
------	---------

Forestry Fund:

Cash	1,683
------	-------

Local Government Economic Development Fund:

Cash	660,410
------	---------

Housing and Urban Development Fund:

Cash	106,410
------	---------

Public Properties Corporation Bond Fund:

Courthouse Annex Bonds - Cash	1,512,879
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1998 Refinancing Bonds - Cash	219,963
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Payroll Account

Cash	130
------	-----

Other Resources

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Payments:

Courthouse Annex Bonds	104,686
------------------------	---------

1998 Refinancing Bonds	1,860,393
------------------------	-----------

Total Assets and Other Resources

	\$ 4,650,217
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The accompanying notes are an integral part of the financial statements.

MARTIN COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1999
 (Continued)

Liabilities and Fund Balances

Liabilities

Public Properties Corporation Fund:

Courthouse Annex Bonds (Note 4)	\$ 1,617,565
1998 Refinancing Bonds (Note 4)	2,080,356
Payroll Account	130

Fund Balances

Reserved:

Forestry Fund	1,683
Local Government Economic Development Fund	660,410
Housing and Urban Development Fund	106,410

Unreserved:

General Fund	141
Road and Bridge Fund	79,071
Jail Fund	1,285
Local Government Economic Assistance Fund	<u>103,166</u>

Total Liabilities and Fund Balances	<u><u>\$ 4,650,217</u></u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MARTIN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,727,964	\$ 1,036,808	\$ 1,214,273	\$ 58,333
Transfers In	854,917	260,000	114,368	220,199
Total Cash Receipts	<u>\$ 5,582,881</u>	<u>\$ 1,296,808</u>	<u>\$ 1,328,641</u>	<u>\$ 278,532</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,688,131	\$ 1,114,579	\$ 1,196,017	\$ 277,440
Schedule of Unbudgeted Expenditures	43,005			
Transfers Out	854,917	219,041	130,000	
Bonds:				
Principal Paid	335,000			
Interest Paid	182,462			
Fees	1,960			
Total Cash Disbursements	<u>\$ 5,105,475</u>	<u>\$ 1,333,620</u>	<u>\$ 1,326,017</u>	<u>\$ 277,440</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 477,406	\$ (36,812)	\$ 2,624	\$ 1,092
Cash Balance - July 1, 1998	2,207,602	36,953	76,447	193
Cash Balance - June 30, 1999	<u>\$ 2,685,008</u>	<u>\$ 141</u>	<u>\$ 79,071</u>	<u>\$ 1,285</u>

The accompanying notes are an integral part of the financial statements.

MARTIN COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1999
 (Continued)

Local Government Economic Assistance Fund	Forestry Fund	Local Government Economic Development Fund	Housing and Urban Development Fund	Public Properties Corporation Fund
\$ 1,290,599 130,000	\$ 187	\$ 775,074	\$ 93,386	\$ 259,304 130,350
\$ 1,420,599	\$ 187	\$ 775,074	\$ 93,386	\$ 389,654
\$ 964,726 505,876	\$ 2,224	\$ 80,999 43,005	\$ 52,146	\$
				335,000 182,462 1,960
\$ 1,470,602	\$ 2,224	\$ 124,004	\$ 52,146	\$ 519,422
\$ (50,003) 153,169	\$ (2,037) 3,720	\$ 651,070 9,340	\$ 41,240 65,170	\$ (129,768) 1,862,610
\$ 103,166	\$ 1,683	\$ 660,410	\$ 106,410	\$ 1,732,842

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Martin County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Local Government Economic Development Fund and the Public Properties Corporation as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Martin County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or Provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 1999, the bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bonds which named the county as beneficiary/obligee on the bonds. However, as of May 7, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$360,847 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of May 7, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 1,070,186
Uncollateralized and uninsured	<u>360,847</u>
Total	<u><u>\$ 1,431,033</u></u>

Note 4. Long-Term Debt

A. 1991 Courthouse Annex Bonds

The Public Properties Corporation issued \$1,780,000 of First Mortgage Revenue Bonds Dated March 1991 for construction of the Courthouse Annex. The Public Properties Corporation refinanced these bonds on September 1, 1998. The bonds are scheduled to be retired March 1, 2001. Debt service requirements are as follows:

<u>Fiscal Year End June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>	<u>Call Premium Due</u>
2000	\$ 96,058	\$ 70,000	\$
2001	<u>91,307</u>	<u>1,335,000</u>	<u>25,200</u>
Totals	<u><u>\$ 187,365</u></u>	<u><u>\$ 1,405,000</u></u>	<u><u>\$ 25,200</u></u>

B. 1998 Refinancing Bonds

The Public Properties Corporation Fund issued \$1,660,000 of First Mortgage Revenue Refunding Bonds dated March 1998 for the refinancing of the Courthouse Annex Bonds. Principal payments are due each year starting on September 1, 1998 in the amounts indicated below. Interest on the bonds is payable each March 1 and September 1, beginning September 1, 1998.

<u>Fiscal Year End June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2000	\$ 68,168	\$ 90,000
2001	64,342	100,000
2002	60,243	100,000
2003	55,936	105,000
Thereafter	<u>261,667</u>	<u>1,175,000</u>
Totals	<u><u>\$ 510,356</u></u>	<u><u>\$ 1,570,000</u></u>

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 5. Lease Agreements

The Martin County Fiscal Court entered into a lease agreement with the Kentucky Department of Transportation for the purchase of land for an industrial site. The agreement requires annual payments of \$4,533 for 30 years. The balance of the lease agreement as of June 30, 1999 was \$90,667. The County currently subleases this property to a lumber company with the same terms as the lease with the Kentucky Department of Transportation. As of June 30, 1999, the lumber company was in default to the Martin County Fiscal Court and the Martin County Fiscal Court was in default to the Kentucky Department of Transportation. Subsequently, the fiscal court appears to be in compliance with the terms of the lease.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MARTIN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 1,130,226	\$ 1,036,808	\$ (93,418)
Road and Bridge Fund	1,204,833	1,214,273	9,440
Jail Fund	279,480	58,333	(221,147)
Local Government Economic Assistance Fund	1,175,939	1,290,599	114,660
Forestry Fund	110	187	77
Local Government Economic Development Fund	3,500,000	775,074	(2,724,926)
Housing and Urban Development Fund	174,887	93,386	(81,501)
Totals	<u>\$ 7,465,475</u>	<u>\$ 4,468,660</u>	<u>\$ (2,996,815)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 7,465,475
Add: Budgeted Prior Year Surplus	183,410
Less: Other Financing Uses	<u>(130,350)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 7,518,535</u>

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SCHEDULE OF OPERATING REVENUE

MARTIN COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<hr/>				
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 441,420	\$ 441,420	\$	\$
Excess Fees	15,840	15,840		
County Clerk:				
Deed Transfer Tax	6,695	6,695		
Delinquent Taxes	9,623	9,623		
Excess Fees	6,811	6,811		
Tangible Personal Property Taxes:				
Other Counties	7,732	7,732		
County Clerk	59,367	59,367		
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 547,488	\$ 547,488	\$ 0	\$ 0
<hr/>				
<u>U. S. Treasurer</u>				
Section Eight Housing Assistance Program	\$ 90,819	\$ 0	\$ 0	\$ 0
<hr/>				
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 43,717	\$	\$	\$ 43,717
Medical Allotments	3,435			3,435
Driving Under The Influence Fees	2,251			2,251
Juvenile Subsidy	6,380			6,380
Court Costs, Jail Operation	2,550			2,550
Transportation Cabinet	556,866		556,866	
County Road Aid	485,559		485,559	
Road Energy Recovery	2,161		2,161	
Public Defender Allotment	8,100	8,100		
Truck License Distribution	161,449		161,449	
Recouped Public Defender Fees	1,350			

MARTIN COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

Local Government Economic Assistance Fund	Forestry Fund	Local Government Economic Development Fund	Housing and Urban Development Fund	Public Properties Corporation Fund
\$	\$	\$	\$	\$
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 90,819</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$

MARTIN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u> (Continued)				
Election Expense Reimbursement	\$ 7,140	\$ 7,140	\$	\$
Strip Mine Permits	58,015	58,015		
Omitted Property Tax	277	277		
Courthouse Rental - Administrative	142,400			
Office of the Courts	58,988	58,988		
Refunds:				
Legal Process Tax	126	126		
Drivers License	1,214		1,214	
Dog License	23	23		
Severance Taxes:				
Coal	927,979			
Mineral	346,413			
Grants:				
Economic Development Grant	723,723			
Disaster and Emergency Services				
Reimbursement	12,235			
Totals	\$ 3,552,351	\$ 132,669	\$ 1,207,249	\$ 58,333

Miscellaneous Revenue

Interest	\$ 119,749	\$	\$	\$
HUD Home Loan Repayments	324			
Swimming Pool Receipts	1,709	1,709		
Leases	4,533	4,533		
Insurance Proceeds	5,739	4,963	776	
Trash Collection	160			
Reimbursement:				
Insurance	10,225	7,803		
County Attorney Payroll	7,803	7,803		
Sheriff Payroll	76,275	76,275		
Clerk Payroll	154,929	154,929		
Miscellaneous Reimbursement	20,666	14,296	6,248	
Rental Receipts	14,433			
Unidentified Receipts	36,421			

MARTIN COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

Local Government Economic Assistance Fund	Forestry Fund	Local Government Economic Development Fund	Housing and Urban Development Fund	Public Properties Corporation Fund
\$	\$	\$	\$	\$
				142,400
927,979				
346,413				
		723,723		
12,235				
<u>\$ 1,287,977</u>	<u>\$ 0</u>	<u>\$ 723,723</u>	<u>\$ 0</u>	<u>\$ 142,400</u>
\$	\$ 105	\$ 497	\$ 2,243 324	\$ 116,904
160				
2,422				
40	82			
		14,433		
		36,421		

MARTIN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
(Continued)				
Telephone Commission	\$ 59,340	\$ 59,340	\$	\$
Surplus Machinery/Equipment Sales	25,000	25,000		
Totals	\$ 537,306	\$ 356,651	\$ 7,024	\$ 0
Total Operating Revenue	<u>\$ 4,727,964</u>	<u>\$ 1,036,808</u>	<u>\$ 1,214,273</u>	<u>\$ 58,333</u>

MARTIN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local Government Economic Assistance Fund	Forestry Fund	Local Government Economic Development Fund	Housing and Urban Development Fund	Public Properties Corporation Fund
\$	\$	\$	\$	\$
\$ 2,622	\$ 187	\$ 51,351	\$ 2,567	\$ 116,904
\$ 1,290,599	\$ 187	\$ 775,074	\$ 93,386	\$ 259,304

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MARTIN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 50,687	\$ 50,687	\$
Deputy County Judge/Executive	32,242	32,242	
Finance Officer	20,628	20,628	
Other Salaries	22,452	22,452	
Fuel	210	210	
Travel	2,121	2,121	
Office of County Attorney:			
Salaries-			
County Attorney	30,056	30,056	
Assistant County Attorney	24,000	24,000	
Secretaries	10,300	10,300	
Law Books	668	668	
Office Expense	250	223	27
Office of County Clerk:			
Salaries-			
Deputies	152,163	152,163	
Court Recorder	2,400	2,400	
Tax Bill Preparation	3,891	3,891	
Office of Sheriff:			
Salaries-			
Deputies	118,056	118,056	
Fiscal Court:			
Magistrates-			
Salaries	97,680	97,679	1
Dues	450	450	
Travel	2,826	2,826	
Office of Property Valuation Administrator:			
Statutory Contribution	26,338	26,338	

MARTIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of County Treasurer:			
Salaries-			
County Treasurer	\$ 12,360	\$ 12,360	\$
County Law Library:			
Law Librarian Salary	600	600	
Elections:			
Per Diem-			
Election Commissioners	3,400	2,975	425
Election Officers	10,590	10,141	449
Election Tabulators	2,400	1,620	780
Polling Place Rent	2,100	2,100	
Printing	8,233	8,233	
Courthouse:			
Janitor	22,267	22,123	144
Supplies	5,725	5,725	
Water and Sewage	2,000	1,893	107
Electricity	18,000	17,754	246
Natural Gas	5,500	5,017	483
Maintenance and Repairs	15,500	15,320	180
Annex Building:			
Elevator Maintenance Agreement	364	364	
HVAC Maintenance Agreement	3,738	3,738	
Custodial Supplies	1,500	1,091	409
Telephone	4,295	3,889	406
Water and Sewage	1,500	1,255	245
Electricity	16,582	16,582	
Natural Gas	4,255	4,253	2
<u>Protection to Persons and Property</u>			
Emergency Dispatch Services:			
Dispatchers	53,816	53,816	
Rent	2,700	2,700	

MARTIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Emergency Dispatch Services: (Continued)			
Telephone	\$ 19,284	\$ 19,284	\$
Travel	41	41	
Water and Sewage	400	289	111
Electricity	1,325	1,325	
Natural Gas	710	670	40
Equipment	3,110	3,110	
Office of Public Defender:			
Contribution	1,896	1,896	
<u>Social Services</u>			
Service to Indigents:			
Contribution	170	170	
Other Social Service Programs			
Rentals - CAP Office	4,615	4,260	355
<u>Debt Service</u>			
Other County Liabilities:			
Lease-Purchase Agreements	4,120	4,120	
Telephone Equipment Lease	1,177	1,177	
<u>Administration</u>			
General Services:			
Advertising	15,258	15,258	
Audit Services	27,817	27,817	
Data Processing Service	5,200	5,200	
Duplicating Supplies	382	382	
Office Supplies	8,018	8,018	
Big Sandy Area Development District	1,500	1,500	
Printing	950	948	2

MARTIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
General Services: (Continued)			
Liability Insurance	\$ 24,702	\$ 24,702	\$
Official Bonds	1,779	1,696	83
Dues -			
Magistrates Dues	593	593	
Judges' Association	825	825	
Kentucky Coal Coalition	3,750	3,750	
KACO	1,068	800	268
Postage	3,201	3,181	20
Telephone	27,254	27,254	
Miscellaneous	942	942	
Contingent Appropriations:			
Reserve for Transfers	38,768		38,768
Fringe Benefits:			
County Contributions-			
Social Security	49,004	47,400	1,604
Retirement	50,099	49,607	492
Health Insurance	50,507	50,507	
Worker's Compensation	8,151	8,151	
Unemployment Insurance	7,467	7,467	
Other	1,300	1,300	
Total General Fund	<u>\$ 1,160,226</u>	<u>\$ 1,114,579</u>	<u>\$ 45,647</u>

ROAD AND BRIDGE FUND

General Government

Fiscal Court:

Magistrates-			
Expense Allowance	\$ 18,000	\$ 18,000	\$

MARTIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u>			
(Continued)			
<u>Protection to Persons and Property</u>			
Ambulance Service:			
Petroleum Products	\$ 3,430	\$ 3,430	\$
<u>General Health and Sanitation</u>			
Solid Waste Collection:			
Sanitation Maintenance	16,360	16,360	
Petroleum Products	5,536	5,536	
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	29,652	29,652	
Secretary	18,025	18,025	
First Aid Supplies	100		100
Road Maintenance:			
Road Laborers Salary	190,651	190,651	
Constructed Highway	550,000	550,000	
Asphalt	15,000	14,592	408
Gravel	48,000	42,205	5,795
Construction Material	56,252	56,230	22
Road and Bridge Maintenance	52,781	52,427	354
Petroleum Products	39,104	39,104	
Drains	22,000	19,856	2,144
Lumber	15,777	13,126	2,651
<u>Administration</u>			
General Services:			
Office Supplies	2,000	1,431	569
Liability Insurance	25,646	23,983	1,663
Telephone	109	109	
Water and Sewage	4,886	4,729	157
Electricity	9,462	9,462	

MARTIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Administration</u> (Continued)			
Contingent Appropriations:			
Reserve for Budget Transfers	\$ 44,966	\$	\$ 44,966
Fringe Benefits:			
County Contributions-			
Retirement	20,684	20,684	
Social Security	18,929	18,648	281
Health Insurance	31,647	30,556	1,091
Worker's Compensation	17,701	16,302	1,399
Unemployment Insurance	5,000	919	4,081
Total Road and Bridge Fund	\$ 1,261,698	\$ 1,196,017	\$ 65,681

JAIL FUND

Protection to Persons and Property

Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 38,000	\$ 38,000	\$
Jail Personnel	46,293	45,332	961
Housing Prisoners-Regional Jail	100,492	100,492	
Operations-			
Pharmaceutical Services	3,702	3,702	
Gasoline	1,847	1,847	
Routine Medical	21,679	21,679	
Staff Training	173	173	
Jailer Training	367	367	
Telephone	10	4	6
Equipment Repairs	4,341	4,341	
Juvenile Detention:			
Contract with Regional Jail	25,478	24,828	650

MARTIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Debt Service</u>			
Other County Liabilities:			
Big Sandy Regional Detention Center	\$ 18,584	\$ 18,584	\$
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	7,200	7,071	129
Social Security	6,059	6,059	
Health Insurance	4,968	4,674	294
Unemployment Insurance	287	287	
Total Jail Fund	<u>\$ 279,480</u>	<u>\$ 277,440</u>	<u>\$ 2,040</u>
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>General Government</u>			
Office of Sheriff:			
Deputies Salaries	\$ 16,000	\$ 15,927	\$ 73
County Police	30,000	27,245	2,755
Office of County Coroner:			
Salaries-			
County Coroner	9,024	9,024	
Deputy Coroner	2,472	2,472	
Autopsy Expense	1,200	300	900
Office Supplies	200	116	84
Other Supplies	1,000	816	184
Training	866	866	
<u>Economic Development</u>			
Office of Economic Director:			
Director Salary	20,798	14,856	5,942
Program Support	5,000	2,029	2,971

MARTIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Big Sandy Regional Detention Center-			
Housing Adult Prisoners	\$ 23,533	\$ 23,533	\$
Housing Juveniles	2,160	2,160	
Medical Services	1,634	1,634	
Volunteer Fire Departments:			
Contributions-			
Inez	9,000	5,809	3,191
Tomahawk	9,000	8,605	395
Pigeon Roost	9,000	9,000	
Warfield	9,000	9,000	
Turkey Creek	9,000	8,010	990
Martin County Rescue Squad:			
Contribution	9,000	9,000	
Disaster and Emergency Services:			
Director Salary	25,000	25,000	
Supplies	4,270	4,270	
Martin County Ambulance Service:			
Contracted Services	35,652	35,652	
Emergency Dispatch Services:			
Dispatchers' Salaries	6,900	6,838	62
Office of Public Defender:			
Program Support	1,500	1,500	
<u>General Health and Sanitation</u>			
Dog Control:			
Dog Warden	2,500		2,500
Kennel Supplies	5,000	4,494	506

MARTIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
LOCAL GOVERNMENT ECONOMIC <u>ASSISTANCE FUND</u> (Continued)			
<u>General Health and Sanitation</u> (Continued)			
Solid Waste Collection:			
Laborers	\$ 165,000	\$ 159,599	\$ 5,401
Contract with Landfill	129,345	129,345	
Portable Toilets	900	675	225
Gasoline	3,758	3,758	
Signs	2,475	2,475	
Utilities	1,295	1,026	269
Equipment Repairs	9,142	8,923	219
Contributions:			
Martin County Soil Conservation	15,000	10,000	5,000
Martin County Senior Citizens	59,500	59,500	
Flood Control Project:			
Army Corps of Engineers	10,750	10,132	618
<u>Social Services</u>			
Public Advocate Program:			
Public Defender	21,500	19,068	2,432
Pauper Burials	1,300	1,300	
Other Social Service Programs:			
Martin County Veterans	2,500	2,500	
<u>Recreation and Culture</u>			
Parks:			
Salaries	7,599	7,599	
Maintenance	39,607	39,607	
Utilities	16,208	16,208	
Swimming Pools:			
Salaries	18,442	18,285	157
Maintenance	9,266	5,830	3,436

MARTIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
LOCAL GOVERNMENT ECONOMIC <u>ASSISTANCE FUND</u> (Continued)			
<u>Roads</u>			
Road Maintenance:			
Road Laborers Salaries	\$ 48,536	\$ 35,812	\$ 12,724
Coal Haul Roads	168,237	128,590	39,647
<u>Debt Service</u>			
Other County Liabilities:			
Lease-Purchase Agreements	350		350
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	2,134		2,134
Fringe Benefits:			
County Contributions-			
Retirement	24,918	19,508	5,410
Social Security	30,318	23,779	6,539
Health Insurance	30,033	24,153	5,880
Worker's Compensation	9,071	8,152	919
Unemployment Insurance	746	746	
Total Operating Budget	\$ 1,076,639	\$ 964,726	\$ 111,913
Other Financing Uses:			
Transfer to Public Properties Corporation Fund	130,350	130,350	
Total Local Government Economic Assistance Fund	<u>\$ 1,206,989</u>	<u>\$ 1,095,076</u>	<u>\$ 111,913</u>

MARTIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>FORESTRY FUND</u>			
<u>Protection to Persons and Property</u>			
Forest Fire Protection:			
Fire Suppressions Costs	\$ 2,965	\$ 2,224	\$ 741
Miscellaneous	860		860
Total Forestry Fund	<u>\$ 3,825</u>	<u>\$ 2,224</u>	<u>\$ 1,601</u>
<u>LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND</u>			
<u>General Government</u>			
Economic Development:			
Economic Development Authority	\$ 19,233	\$ 9,233	\$ 10,000
Land Improvements	41,790	36,100	5,690
Reserve for Upcoming Projects	3,403,311		3,403,311
Miscellaneous	350	350	
<u>Capital Projects</u>			
Site Development:			
Health Corp Building-			
Architects	25,870	25,870	
Engineering	7,010	7,010	
Special Projects	2,436	2,436	
Total Local Government Economic Development Fund	<u>\$ 3,500,000</u>	<u>\$ 80,999</u>	<u>\$ 3,419,001</u>
<u>HOUSING AND URBAN DEVELOPMENT FUND</u>			
<u>Social Services</u>			
Other Social Service Programs:			
Contracted Construction	\$ 163,862	\$ 49,530	\$ 114,332
Legal Services	1,775	800	975
Legal Notices	250	66	184

MARTIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
HOUSING AND URBAN DEVELOPMENT FUND (Continued)			
<u>Social Services</u> (Continued)			
Other Social Service Programs: (Continued)			
Escrow Reserve	\$ 62,530	\$	\$ 62,530
<u>Administration</u>			
General Services:			
Advertising	250		250
Big Sandy Area Development District	8,000	1,750	6,250
Total Housing and Urban Development Fund	\$ 236,667	\$ 52,146	\$ 184,521
Total Operating Budget - All Funds	\$ 7,518,535	\$ 3,688,131	\$ 3,830,404
Other Financing Uses:			
Transfers to Public Properties Corporation Fund	130,350	130,350	
TOTAL BUDGET - ALL FUNDS	\$ 7,648,885	\$ 3,818,481	\$ 3,830,404

SCHEDULE OF UNBUDGETED EXPENDITURES

MARTIN COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

<u>Expenditure Items</u>	Local Government Economic Development Fund
Unidentified Expenditures	<u>\$ 43,005</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Lon E. Lafferty, Martin County Judge/Executive
Honorable Kelly E. Callahan, Former Martin County Judge/Executive
Members of the Martin County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Martin County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated July 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Martin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The Economic Development Board Should Maintain Adequate Records

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Martin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Martin County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is explained in the accompanying comments and recommendations on page 42.

- The County Has A Lack Of Adequate Segregation Of Accounting Duties

Honorable Lon E. Lafferty, Martin County Judge/Executive
Honorable Kelly E. Callaham, Former Martin County Judge/Executive
Members of the Martin County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 6, 2000

COMMENTS AND RECOMMENDATIONS

MARTIN COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1999

NONCOMPLIANCES

1) The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On May 7, 1999, \$360,847 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive Lon E. Lafferty's Response:

We will institute this agreement.

2) The Economic Development Board Should Maintain Adequate Records

The Economic Development Board did not maintain adequate records for the receipt and disbursement of public funds. The board did not maintain a receipts and disbursements ledger or prepare a financial statement. KRS 67.080 states that the Fiscal Court may "... cause correct accounts and records to be kept of all receipts and disbursements of public funds of the county ...". We recommend the Fiscal Court direct the Economic Development Board to maintain receipts and disbursements ledgers and prepare a financial statement.

County Judge/Executive Lon E. Lafferty's Response:

I agree. We will make this recommendation to the Economic Development Board and the only question would be is whether the Board should have their own audit.

REPORTABLE CONDITION AND MATERIAL WEAKNESS:

1) The County Has A Lack Of Adequate Segregation of Accounting Duties

We noted the lack of an adequate segregation of accounting duties for the internal control structure and its operation, that in our judgement, is a reportable condition under standards established by the American Institute of Certified Public Accountants. The county treasurer has statutory authority to assume the role as custodian of assets, as well as recorder of transactions and preparer of the financial statements. Therefore, the Auditor of Public Accounts has judged the lack of an adequate segregation of duties as a reportable condition.

County Judge/Executive Lon E. Lafferty's Response:

We understand. The County lacks the funding to hire additional personnel.

MARTIN COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1999
(Continued)

PRIOR YEAR FINDINGS

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Securities As Collateral To Protect Deposits
- The Economic Development Board Did Not Maintain Adequate Records Of Receipts And Disbursements Of Public Funds

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

MARTIN COUNTY FISCAL COURT


Fiscal Year Ending June 30, 1999

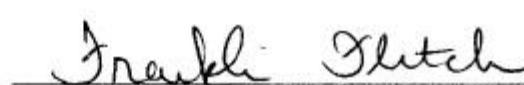
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

MARTIN COUNTY FISCAL COURT

The Martin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name
County Judge/Executive


Name
County Treasurer